

Small Green Cars and Alternative Fuels - UK - December 2009

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What is this report about?

Car manufacturers are under considerable pressure through environmental legislation to significantly reduce exhaust emissions from new cars. As the legislative environment becomes stricter, car manufacturers will, and are developing zero-emission cars as the future of the automotive industry.

The introduction of the scrappage incentive scheme (SIS) in 2009 resulted in an increase in the purchase of small and mainly petrol-fuelled cars rather than alternatively fuelled cars, including hybrid and electric cars, sales of which fell in 2008 and 2009, while sales of small petrol-fuelled cars rose. The scrappage scheme is due to expire early in 2010 and there is the prospect of car sales falling again in 2010.

What have we found out?

- In 2009 new small car registrations in the UK increased 24% whereas the new car market as a whole continued to fall. Manufacturers with a strong small car range have benefited most, with the top-selling brands being Hyundai, Ford, Toyota and Fiat.
- Sales of superminis, such as the Ford Fiesta and Vauxhall Corsa, are likely to fall by 2% as a result of the ending of the scrappage scheme in early 2010. In contrast, sales of cars in the mini segment will continue to rise with an increase of 10% in 2010, benefiting manufacturers such as Hyundai, smart, Kia and Suzuki.
- Under the scrappage scheme, new car buyers have bought small fuel-efficient petrol rather than diesel or alternative fuel cars (including electric and hybrid cars) which have accounted for less than 1% of sales under the scheme.
- For most car buyers, price, reliability and fuel economy are much higher priorities in the car purchase decision than environmental benefits. To increase the sales of electric and hybrid cars, manufacturers and dealers must emphasise fuel economy over the environmental benefits of electric and hybrid cars.
- Although 42% of car owners would seriously consider buying an electric or hybrid car, 65% are put off by the limited range of electric cars and 66% are not prepared to pay a premium for the latest hybrid or electric cars.
- The higher cost of electric or hybrid cars will create a market opportunity for the leasing or rental of cars rather than outright ownership. As the necessity grows to reduce car use, rather than owning a car that stands idle for periods of time, it may become more cost effective to rent or lease an electric or hybrid car.

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